



INSPECTOR GENERAL EFFICIENCY REPORT

2005-01-0008

September 27, 2005

COMMUNITY CORRECTIONS

Inspector General David O. Thomas reports to Governor Mitchell E. Daniels, Jr., as follows:

This investigation commenced February 17, 2005. The Office of Inspector General (“OIG”) received assistance in its investigation from Indiana Department of Correction (“DOC”) employees Deputy Commissioner Julie Von Arx and Community Corrections Director Deanna McMurray.

Community Corrections (“CC”) is a division of DOC. It started in 1980 as an alternative sentencing program.¹ Offenders are often placed on home detention or other less restrictive means than incarceration. One of the purposes of CC is to place Indiana’s non-violent offenders in a situation where they may still earn income for themselves and their families, and receive appropriate monitoring and supervision without excessive cost to the state.

Even so, there is still punishment with a CC sentence. In addition to restrictions of movement, offenders most often are required to perform

¹ I.C. 11-12-1-1 *et seq.*

community service, make restitution, and successfully complete psychological counseling and attitude-based classes.

There are approximately 24,000 persons in the CC system which nearly equals the combined number of prisoners housed in all 31 of Indiana's prisons.² The total annual budget for CC is approximately \$27 million.

Local CC programs are administered by a director and staff who are appointed by a CC Board ("CC Board"). The CC Board composition is determined by statute, and includes appointments for a local judge, prosecutor, probation officer and other community leaders.³

Local CC Boards have two revenue sources for the administration of these programs. The first is through annual state grants. The entire CC program disburses \$27 million annually to the 68 CC Boards for operating expenses.⁴

The second revenue source for CC Boards is through the fees they collect from the offenders. These fees are often termed, "Project Income."⁵ Typically, an offender pays a daily fee in the range of \$5 to \$20 to be on the program. This fee is in addition to the counseling and administrative costs of the prosecution the offender must pay.

The daily fee is collected and retained by the 68 local CC Boards.⁶ This Project Income is vital to the operation of the CC programs.

² This information was obtained from interviews with CC employees.

³ See I.C. 11-12-2-2.

⁴ See footnote 2, *supra*.

⁵ I.C. 11-12-2-12(b).

⁶ See footnote 2, *supra*.

I.

The initial issue is whether Project Income is being unnecessarily surplused by the 68 local CC Boards while these boards continue to draw down the state's annual appropriation of \$27 million.⁷

Specifically, the investigation shows that the combined CC surplus Project Income money being held by the CC Boards at one point in 2004 totaled over \$12 million dollars.⁸ The question then becomes whether there should be a reduction in future grant money disbursements to the CC Boards for a savings to the State, with a requirement that the CC Boards spend all or a partial amount of their Project Income before seeking future disbursements of state taxpayer dollars.

There are two relevant issues. The first is (1) whether these Project Income totals are properly dedicated by the CC Boards to appropriate projects, and (2) whether there is abuse in the retention and failure to spend the \$12 million surplus.

Regarding dedicated projects, newly appointed CC Director Deanna McMurray points out that part of this Project Income may be legitimately dedicated to worthy CC projects, such as the purchasing of equipment or supplies to properly maintain the CC programs. Yet she points out that as she accepted her position earlier this year, there was no database to track these purchases or a process requiring the CC Boards to articulate and report their plans for these projects to be paid out of the Project Income surpluses.

Second, it was further revealed that few audits have occurred regarding the

⁷ See footnote 2, *supra*.

⁸ *Id.* This figure amounted at one point to \$12,277,563.89.

retention and spending of this Project Income by the CC Boards. Moreover, there are few controls on how the CC Boards may spend their surplus Project Income. One example was that a County Council was seeking contributions from the CC Board to lessen a county budget shortfall.

Because we have no data to first determine whether dedicated projects are appropriate, and also because a uniform audit system is not in place to track the past spending of Project Income, we have concluded that immediate and better controls need to be instilled to monitor and measure whether the Project Income surpluses are excessive.

Once this has occurred, we intend to review these results and pursue whether further investigation is necessary.

II.

Our investigation also revealed a second component of management efficiency. With the collaboration of Deputy Commissioner Julie Von Arx, \$2 million in savings resulted.

At the end of each fiscal year, the local CC Board is to return unused state grant money to DOC. Seeing that this had not occurred, audits commenced from February through April of 2005. It was determined from these audits that an aggregate of \$2 million statewide should have been returned to DOC as the unused portion of grant monies improperly carried over into succeeding years.

III.

Three further issues were brought to our attention by CC Director Deanna McMurray and Deputy Commissioner Julie Von Arx.

A.

It was discovered in early 2005 that ten of the 68 local CC Boards were not timely submitting monthly reports of their activities.

B.

Furthermore, the fund distribution formula articulated in 210 IAC 2-1-3 is complicated and not being implemented properly. The purpose of the formula is to establish standardization in the distribution of grant money to the various CC Boards.

C.

It was also pointed out that performance measures for the CC Boards do not exist, and therefore, there is no way to properly determine how efficiently and effectively these organizations are spending their money or whether their efforts are actually reducing statewide recidivism rates.

IV.

The following remedies have been formulated by both DOC and the Inspector General's Office (OIG).

Recommendation 1: A database to track the above issues is being developed by CC.

Recommendation 2: Local CC Boards must immediately commit in

writing to CC on forms provided by CC all projects intended to be implemented with surplus Project Income, the date on which each project was planned and initiated, and the amount estimated for the completion of the project.

Recommendation 3: Audits should commence immediately on all local CC accounts, with special scrutiny to the spending of Project Income.

Recommendation 4: An inventory of all assets held by local CC Boards should be immediately compiled and made available for audit.

Recommendation 5: CC should formulate a policy of specific controls on Project Income spending and distribute this written policy to the local CC Boards. CC Boards may make written suggestions to CC on these controls.

Recommendation 6: Local CC Boards should be reminded of the importance of timely filing all reports with CC, with appropriate sanctions for repeat violations.

Recommendation 7: (1) CC should formulate a simplified, workable formula to determine how funds are to be distributed to the various CC Boards, and after this formula is developed, it should be re-promulgated to replace 210 IAC 2-1-3; (2) a mechanism should be developed to insure that monthly reports of CC Board activities are submitted; and (3) performance measures should be implemented by the local CC Boards in order to measure their progress and programmatic success.

Respectfully submitted this 27th day of September, 2005.

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David O. Thomas, Indiana Inspector General